

Maruti Cements Limited

Ratings

Facilities/ Instruments	Amount (Rs. million)	Rating ¹	Rating Action
Long term Bank Facilities	4,486.07	CARE-NP BBB: ISSUER NOT COOPERATING* [Triple B; ISSUER NOT COOPERATING*]	Revised from CARE-NP A-; Moved to Issuer Not Cooperating category and put on notice of withdrawal
Short term Bank Facilities	1,070.48	CARE-NP A3: ISSUER NOT COOPERATING* [A Three; ISSUER NOT COOPERATING*]	Revised from CARE-NP A2+; Moved to Issuer Not Cooperating category and put on notice of withdrawal
Total	5,556.55 (Five Billion Five Hundred Fifty-Six Million and Five Hundred Fifty Thousand Only)		

CARE Ratings Nepal Limited (CRNL) has been seeking information from Maruti Cements Limited (MCL) to monitor the ratings vide e-mail communications/ letters dated July 25, 2023, July 16, 2023, and July 10, 2023 along with numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant Securities Board of Nepal (SEBON) guidelines, CRNL has reviewed the rating on the basis of the best available information which however, in CRNL's opinion is not sufficient to arrive at a fair rating. CRNL will monitor/watch the rating once for a minimum period of 6 months and notify the Securities Board of Nepal (SEBON) and public with regards to the withdrawal of rating. If after the monitoring of the rating there is no cooperation from the Client, then after, CRNL may withdraw the rating.

The bank loan rating of Maruti Cements Limited will now be denoted as **CARE-NP BBB/ CARE-NP A3: ISSUER NOT COOPERATING*, (Notice of withdrawal)**.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

Detailed description of the key rating drivers

The ratings have been revised taking into account non-cooperation by MCL with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

Please refer for detailed rationale published in August 2022 on www.careratingsnepal.com

About the Company

Maruti Cement Limited (MCL) was incorporated on October 31, 1994 and the current management took over the company in 2005. MCL is managed by industrialists and traders of Nepal, belonging to the Rathi group and Goyal group of companies and all the shares of the company are held by the promoters. The company is presently engaged in manufacturing and selling cement with clinker capacity of 1500 MTPD and grinding capacity of 2000 MTPD respectively. The manufacturing facilities are located in Mirchaiya, Siraha District of Nepal.

¹Complete definitions of the ratings assigned are available at www.careratingsnepal.com and in other CRNL publications.

*Issuer did not cooperate; based on best available information

MCL's total operating income declined by 27.91% year on year to Rs. 4,949 Mn in FY22 (Audited, FY refers to the twelve-month period ending mid-July) from Rs. 6,865 Mn in FY21 on account of sluggish market demand for cement in the country owing to slowdown in construction activities amid lower-than-expected government capital expenditure. Similarly, PBILDT margin of the company also deteriorated to 11.75% in FY22 from 22.30% in FY21 mainly due to diseconomies of scale amid declining operations coupled with relatively high input prices. Furthermore, PAT margin also deteriorated to 6.12% in FY22 from 14.24% in FY21 on account of increase in interest expenses. During FY22, the company's interest coverage ratio deteriorated to 4.83x (FY21:13.46x) and total debt to GCA ratio to 8.80x (FY21:1.68x). Debt-equity ratio and overall gearing ratio of the company stood comfortable at 0.58x and 0.69x, respectively at FY22 end, increasing slightly from 0.25x and 0.35x at FY22 end amid increased debt levels to fund ongoing capex.

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About CARE Ratings:

CARE Ratings Nepal Limited (CRNL) is licensed by the Securities Board of Nepal w.e.f. November 16, 2017. CRNL is supported by CARE Ratings Limited through a technical services agreement to provide technical support in the areas such as rating systems and procedures, methodologies, etc. from CARE Ratings on an ongoing basis. The technical support shall ensure that CRNL has adequate resources to provide high quality credit opinions in Nepal.

Our parent company, CARE Ratings Limited commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI).

Disclaimer

CRNL's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CRNL has based its ratings on information obtained from sources believed by it to be accurate and reliable. CRNL does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CRNL have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.